

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:61
ANSWERED ON:04.03.2005
GUIDELINES FOR LOAN TO PRIORITY SECTOR
Chaliha Shri Kirip

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has issued guidelines to commercial banks both in public and private sectors to adhere to a minimum limit for providing loans to priority sectors;
- (b) if so, the details thereof,
- (c) whether these guidelines are being followed by all the commercial banks; and
- (d) if not, the action taken by the Government against the erring commercial banks both in public and private, sectors?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a) (b)(c)&(d) A statement is laid on the table of the House,

Statement referred to in reply to parts (a), (b), (c) & (d) of the Lok Sabha Starred Question No.61 regarding Guidelines for Loan to Priority Sector for answer on 4th March, 2005 tabled by Shri Kirip Chaltha

(a) & (b): The Reserve Bank of India has, from time to time, issued a number of guidelines to banks in regard to matters relating to Priority Sector Lending. A target of 40 per cent of net bank credit (NBC) has been stipulated for lending to the priority sector by domestic scheduled commercial banks, both in the public and private sector. Within this, sub-targets of 18 per cent and 10 per cent of NBC have been stipulated for lending to agriculture and the weaker sections respectively.

(c) & (d) : The guidelines on lending to Priority Sector are being followed by the scheduled commercial banks. In case, the domestic scheduled commercial banks, both in the public and private sector, have a shortfall in lending to priority sector/agriculture, they are required to deposit into Rural Infrastructure Development Fund (RIDF) established by NABARD, the amounts allocated to them by Reserve Bank of India vis-a-vis the shortfall in their achievement. As a disincentive for non-achievement of agricultural lending target, the rates of interest on the deposits made by the contributing banks have been lowered and are charged in inverse proportion to the extent of shortfall in the agricultural lending vis-à-vis the stipulated target of 18%.